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ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

FEB 24 2005

1086

SEC FILE NUMBER

8-15229

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: V.J. SHAH & CO., INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

148 LINDEN ST.

(No. and Street)

WELLESLEY

(City)

MA

(State)

02482

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

VIJAY SHAH

(781) 237-6830

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BAUMANN & BAUMANN CPAS

(Name - if individual, state last, first, middle name)

873 WORCESTER ST

(Address)

WELLESLEY

(City)

MA

(State)

02482

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions

PROCESSED

MAR 11 2005

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

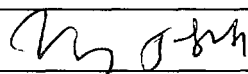
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, VIJAY SHAH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of V.J. SHAH & CO., INC, as of DECEMBER 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

PRESIDENT

Title



Notary Public *expiration 11/06/09*

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

***For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

BAUMANN & BAUMANN CPAs

873 Worcester Street
Wellesley, Massachusetts 02482
(781) 239-0190

Securities and Exchange Commission
73 Tremont Street – Suite 600
Boston, MA 02108-3912

We have audited the Focus Report of V. J. Shah & Co., Inc. as of December 31, 2004. The audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, includes a review of the system of internal control, the procedures employed for safeguarding securities, the practices and procedures employed in complying with Rule 17a-13 and in the resolution of securities differences, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including the auditing procedures prescribed by the Securities and Exchange Commission. There were no material differences with respect to the computation of Net capital and SEC Rule 15c3-1, and the computation of Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3. We found no inadequacies in our audit of the above mentioned procedures and systems.

In our opinion, the Focus Report, with all supporting statements and schedules present fairly the financial position of V. J. Shah & Co., Inc. at December 31, 2004 in the form prescribed by the Securities and Exchange Commission, in conformity with accounting principles generally accepted in the United States of America applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink, appearing to read "Baumann & Baumann JPA3". The signature is fluid and cursive, with the initials "JPA3" written in a more distinct, blocky style at the end.

Wellesley, Massachusetts
February 11, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART II ☐ 11

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) ☐ 16

2) Rule 17a-5(b) ☐ 17

3) Rule 17a-11 ☐ 18

4) Special request by designated examining authority ☐ 19

5) Other ☐ 26

NAME OF BROKER-DEALER

V.J. SHAH & CO., INC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

148 LINDEN ST

(No. and Street)

WELLESLEY

MA

02482

(City)

(State)

(Zip Code)

SEC FILE NO.

8-15229

FIRM I.D. NO.

3373

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/04

AND ENDING (MM/DD/YY)

12/31/04

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

VIJAY J. SHAH, PRESIDENT

(Area Code) — Telephone No.

(781) 237-6830

NAMES OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES ☐ 40 NO ☒ 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT ☒ 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements, and schedules remain true, correct and complete as previously submitted.

Dated the 14 day of February 2005

Manual signatures of:

- 1) [Signature]
Principal Executive Officer or Managing Partner
- 2) _____
Principal Financial Officer or Partner
- 3) _____
Principal Operations Officer or Partner

ATTENTION — Intentional misstatement or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

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SEC 1695 (07-02) 1 of 28

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

BAUMANN & BAUMANN CPAS

70

ADDRESS

873 WORCESTER STREET

71

WELLESLEY

72

MA

73

02482

74

Number and Street

City

State

Zip Code

CHECK ONE

☒ Certified Public Accountant

75

FOR SEC USE

☐ Public Accountant

76

☐ Accountant not resident in United States
or any of its possessions

77

DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

ASSETS

Consolidated [0198] Unconsolidated [0199]

	Allowable	Non-Allowable	Total
1. Cash	<u>17,305</u> [0200]		<u>17,305</u> [0750]
2. Cash segregated in compliance with federal and other regulations	<u>636</u> [0210]		<u>636</u> [0760]
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
1. Includable in "Formula for Reserve Requirements"	<u></u> [0220]		<u>0</u>
2. Other	<u></u> [0230]		<u></u> [0770]
B. Securities borrowed:			
1. Includable in "Formula for Reserve Requirements"	<u></u> [0240]		<u>0</u>
2. Other	<u></u> [0250]		<u></u> [0780]
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	<u></u> [0260]		<u>0</u>
2. Other	<u></u> [0270]		<u></u> [0790]
D. Clearing Organizations:			
1. Includable in "Formula for Reserve Requirements"	<u></u> [0280]		<u>0</u>
2. Other	<u></u> [0290]		<u></u> [0800]
E. Other	<u></u> [0300]	<u></u> [0550]	<u>0</u> [0810]
4. Receivables from customers:			
A. Securities accounts:			
1. Cash and fully secured accounts:	<u></u> [0310]		
2. Partly secured accounts	<u></u> [0320]	<u></u> [0560]	
3. Unsecured accounts		<u></u> [0570]	

B. Commodity accounts		[0330]	[0580]	
C. Allowance for doubtful accounts		[0335]	[0590]	0 [0820]
5. Receivables from non-customers:				
A. Cash and fully secured accounts		[0340]		
B. Partly secured and unsecured accounts		6,991 [0350]	[0600]	6,991 [0830]
6. Securities purchased under agreements to resell		[0360]	[0605]	0 [0840]
7. Securities and spot commodities owned, at market value:				
A. Bankers acceptances, certificates of deposit and commercial paper		[0370]		
B. U.S. and Canadian Government obligations		[0380]		
C. State and municipal government obligations		[0390]		
D. Corporate obligations		[0400]		
E. Stocks and warrants		533,279 [0410]		
F. Options		[0420]		
G. Arbitrage		[0422]		
H. Other securities		38,179 [0424]		
I. Spot commodities		[0430]		
J. Total inventory - includes encumbered securities of \$				571,458 [0850]
		[0120]		
8. Securities owned not readily marketable:				
A. At cost		[0130]		
B. At estimated fair value		[0440]	[0610]	0 [0860]
9. Other investments not readily marketable:				
A. At cost				

B. At estimated fair value

0
[0870]

- ### A. Exempted securities

B. Other

0
[0880]

A. Exempted securities

B. Other

0
[0890]

A. Owned, at market value

B. Owned, at cost

C. Contributed for use of company, at market value

0
[0900]

- $$\begin{array}{r} 0 \\ \hline [0910] \end{array}$$

- 19,469
[0680]

9,469
[0920]

- A. Dividends and interest receivables**

[0690]

- ### B. Free shipments

[0700]

- ### C. Loans and advances

[0710]

		<u>152,017</u>	<u>6,726</u>	
	D. Miscellaneous	[0530]	[0720]	
	E. Collateral accepted under SFAS 140	<u>[0536]</u>		
	F. SPE Assets	<u>[0537]</u>		<u>158,743</u>
				[0930]
16.		<u>748,407</u>	<u>26,195</u>	<u>774,602</u>
	TOTAL ASSETS	[0540]	[0740]	[0940]

1 2

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
17. Bank loans payable:			0
A. Includable in "Formula for Reserve Requirements"	[1030]	[1240]	[1460]
B. Other	[1040]	[1250]	[1470]
18. Securities sold under repurchase agreements		[1260]	[1480]
19. Payable to brokers or dealers and clearing organizations:			0
A. Failed to receive:			0
1. Includable in "Formula for Reserve Requirements"	[1050]	[1270]	[1490]
2. Other	[1060]	[1280]	[1500]
B. Securities loaned:			0
1. Includable in "Formula for Reserve Requirements"	[1070]		[1510]
2. Other	[1080]	[1290]	[1520]
C. Omnibus accounts:			0
1. Includable in "Formula for Reserve Requirements"	[1090]		[1530]
2. Other	[1095]	[1300]	[1540]
D. Clearing organizations:			0
1. Includable in "Formula for Reserve Requirements"	[1100]		[1550]
2. Other	[1105]	[1310]	[1560]
E. Other:	[1110]	[1320]	[1570]
20. Payable to customers:			0
A. Securities accounts including free credits of			0
[0950]	[1120]		[1580]
			0

	[1130]	[1330]	[1590]
B. Commodities accounts			
21. Payable to non customers:			0
A. Securities accounts	[1140]	[1340]	[1600]
B. Commodities accounts	[1150]	[1350]	[1610]
22. Securities sold not yet purchased at market value including arbitrage of _____	[0960]	[1360]	[1620]
23. Accounts payable and accrued liabilities and expenses:			0
A. Drafts payable	[1160]		[1630]
	3,579		3,579
B. Accounts payable	[1170]		[1640]
C. Income taxes payable	[1180]		[1650]
D. Deferred income taxes		[1370]	[1660]
E. Accrued expenses and other liabilities	5,500		5,500
	[1190]		[1670]
F. Other	[1200]	[1380]	[1680]
G. Obligation to return securities		[1386]	[1686]
H. SPE Liabilities		[1387]	[1687]
24. Notes and mortgages payable:			0
A. Unsecured	[1210]		[1690]
B. Secured	[1211]	[1390]	[1700]
25. Liabilities subordinated to claims of general creditors:			0
A. Cash borrowings		[1400]	[1710]
1. from outsiders	[0970]		
2. Includes equity subordination (15c3-1 (d)) of _____	[0980]		
B. Securities borrowings, at market value:			0
from outsiders		[1410]	[1720]
	[0990]		

			0
C.	Pursuant to secured demand note collateral agreements	[1420]	[1730]
1.	from outsiders		
		[1000]	
2.	Includes equity subordination (15c3-1 (d)) of		
		[1010]	
D.	Exchange memberships contributed for use of company at market value	[1430]	[1740]
E.	Accounts and other borrowings not qualified for net capital purposes	[1220]	[1440]
			0
		9,079	0
26.	TOTAL LIABILITIES:	[1230]	[1450]
			9,079
			[1760]

Ownership Equity

			Total
27.	Sole proprietorship		[1770]
28.	Partnership-limited partners		[1780]
		[1020]	
29.	Corporation		
			24,000
A.	Preferred stock		[1791]
			5,900
B.	Common stock		[1792]
			8,319
C.	Additional paid-in capital		[1793]
			784,261
D.	Retained earnings		[1794]
			822,480
E.	Total		[1795]
			-56,957
F.	Less capital stock in treasury		[1796]
			765,523
30.	TOTAL OWNERSHIP EQUITY:		[1800]
			774,602
31.	TOTAL LIABILITIES AND OWNERSHIP EQUITY:		[1810]

STATEMENT OF INCOME (LOSS)

Period Beginning 01/01/2004
[3932]

Period Ending 12/31/2004 [3933]

Number of months 12
[3931]

REVENUE

1. Commissions:

a.	Commissions on transactions in exchange listed equity securities executed on an exchange	[3935]
----	--	--------

b. Commissions on transactions in exchange listed equity securities executed over-the-counter	[3937]
---	--------

c. Commissions on listed options transactions	[3938]
---	--------

d. All other securities commissions	615
	<u>13939</u>

	615
e. Total securities commissions	<u>[3940]</u>

2. Gains or losses on firm securities trading accounts:

a. From market making in over-the-counter equity securities [3941]

i.	Includes gains or (losses) OTC market making in exchange listed equity securities	[3943]
----	---	--------

b. From trading in debt securities

c. From market making in options on a national securities exchange

d. From all other trading	82,587
	<u>[3949]</u>

	82,587
e. Total gains or (losses)	<u>[3950]</u>

3. Gains or losses on firm securities investment accounts

a. Includes realized gains (losses) [4235]

b. Includes unrealized gains (losses)	[4236]
---------------------------------------	--------

c. Total realized and unrealized gains (losses)	[3952]
---	--------

4. Profits or (losses) from underwriting and selling groups

a.	Includes underwriting income from corporate equity securities	[4237]
----	---	--------

5. Margin interest

[3960]

6. Revenue from sale of investment company shares

8,801
[3970]

7. Fees for account supervision, investment advisory and administrative services

[3975]

8. Revenue from research services

[3980]

9. Commodities revenue

		[3990]
10. Other revenue related to securities business		[3985]
	102,652	
11. Other revenue		[3995]
	194,655	
12. Total revenue		[4030]
EXPENSES		
	27,918	
13. Registered representatives' compensation		[4110]
14. Clerical and administrative employees' expenses		[4040]
15. Salaries and other employment costs for general partners, and voting stockholder officers		[4120]
a. Includes interest credited to General and Limited Partners capital accounts		[4130]
16. Floor brokerage paid to certain brokers (see definition)		[4055]
17. Commissions and clearance paid to all other brokers (see definition)		[4145]
18. Clearance paid to non-brokers (see definition)		[4135]
	18,180	
19. Communications		[4060]
	48,318	
20. Occupancy and equipment costs		[4080]
21. Promotional costs		[4150]
22. Interest expense		[4075]
a. Includes interest on accounts subject to subordination agreements		[4070]
23. Losses in error account and bad debts		[4170]
24. Data processing costs (including service bureau service charges)		[4186]
25. Non-recurring charges		[4190]
	8,661	
26. Regulatory fees and expenses		[4195]
	64,242	
27. Other expenses		[4100]
	167,319	
28. Total expenses		[4200]
NET INCOME		
	27,336	
29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28)		[4210]
30. Provision for Federal income taxes (for parent only)		[4220]
31. Equity in earnings (losses) of unconsolidated subsidiaries not included above		[4222]
a. After Federal income taxes of		[4238]
32. Extraordinary gains (losses)		[4224]

a. After Federal income taxes of

[4239]

33. Cumulative effect of changes in accounting principles

[4225]

34. Net income (loss) after Federal income taxes and extraordinary items

27,336

[4230]

MONTHLY INCOME

35. Income (current monthly only) before provision for Federal income taxes and extraordinary items

[4211]

EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

A. (k)

☐ [4550]

(1)--Limited business (mutual funds and/or variable annuities only)

B. (k)

☐ [4560]

(2)(i)--"Special Account for the Exclusive Benefit of customers" maintained

C. (k)

☐ [4570]

(2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)

Clearing Firm SEC#s

Name

Product Code

8- _____
[4335A]

_____ [4335A2]

_____ [4335B]

8- _____
[4335C]

_____ [4335C2]

_____ [4335D]

8- _____
[4335E]

_____ [4335E2]

_____ [4335F]

8- _____
[4335G]

_____ [4335G2]

_____ [4335H]

8- _____
[4335I]

_____ [4335I2]

_____ [4335J]

D. (k)

☐ [4580]

(3)--Exempted by order of the Commission

INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER 15C3-3

State the market valuation and the number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. Notes A and B
[4586]
A. Number of items
[4587]
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D
[4588]
A. Number of items
[4589]
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3
Yes ☒ [4584]
No ☐ [4585]

12.	**Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	[4440]
13.	Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver	[4450]
14.	Failed to deliver of customers' securities not older than 30 calendar days	[4460]
15.	Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F)	[4465]

16. Other (List)

	[4469A]	[4469B]
	[4469C]	[4469D]
	[4469E]	[4469F]
		0
		[4469]

17. **Aggregate debit items

0
[4470]

18. **less 3% (for alternative method only - see Rule 15c3-1(f)(5)(i))

[4471]

19. **TOTAL 15c3-3 DEBITS

0
[4472]

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)

[4480]

21. Excess of total credits over total debits (line 11 less line 19)

[4490]

22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits

[4500]

23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period

[4510]

24. Amount on deposit (or withdrawal) including

[4520]

value of qualified securities

[4515]

25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including

0
[4530]

value of qualified securities

[4525]

26. Date of deposit (MM/DD/YYYY)

[4540]

FREQUENCY OF COMPUTATION

Daily ☐ [4332] Weekly ☐ [4333] Monthly ☒ [4334] N/A ☐

** In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

COMPUTATION FOR DETERMINATION OF PAIB RESERVE REQUIREMENTS FOR BROKER DEALERS

CREDIT BALANCES

- | | | |
|---|-------|--------|
| 1. Free credit balances and other credit balances in proprietary accounts of introducing brokers (PAIB) | _____ | [2110] |
| 2. Monies borrowed collateralized by securities carried for PAIB (See Note 1) | _____ | [2120] |
| 3. Monies payable against PAIB securities loaned (see Note 2) | _____ | [2130] |
| 4. PAIB securities failed to receive | _____ | [2140] |
| 5. Credit balances in firm accounts which are attributable to principal sales to PAIB | _____ | [2150] |
| 6. Other (List) (See Notes 4,5 and 6) | | |

_____	[2160A]	_____	[2160B]
_____	[2160C]	_____	[2160D]
_____	[2160E]	_____	[2160F]
		0	
		_____	[2160]

7. TOTAL PAIB CREDITS

_____ 0
[2170]

DEBIT BALANCES

- | | | |
|---|-------|--------|
| 8. Debit balances in PAIB excluding unsecured accounts and accounts doubtful of collection | _____ | [2180] |
| 9. Securities borrowed to effectuate short sales by PAIB and securities borrowed to make delivery on PAIB securities failed to deliver | _____ | [2190] |
| 10. Failed to deliver of PAIB securities not older than 30 calendar days | _____ | [2200] |
| 11. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in PAIB accounts (See Notes 3,4,5 and 6) | _____ | [2210] |
| 12. Other (List) | | |

_____	[2220A]	_____	[2220B]
_____	[2220C]	_____	[2220D]
_____	[2220E]	_____	[2220F]
		0	
		_____	[2220]

13. TOTAL PAIB DEBITS

_____ 0
[2230]

RESERVE COMPUTATION

14. Excess of total PAIB debits over total PAIB credits (line 13 less

_____ [2240]

line 7)

15. Excess of total PAIB credits over total PAIB debits (line 7 less line 13) _____ [2250]

16. Excess debits in customer reserve formula computation _____ [2260]

17. PAIB Reserve Requirement (line 15 less line 16) _____ 0 [2270]

18. Amount held on deposit in "Reserve Bank Account(s)", including _____ [2280]

_____ [2275]
value of qualified securities, at end of reporting period

19. Amount of deposit (or withdrawal) including _____ [2290]

_____ [2285]
value of qualified securities

20. New amount in Reserve Bank Account(s) after adding deposit or subtracting _____ [2300]

_____ [2295]
value of qualified securities

21. Date of deposit (MM/DD/YYYY) _____ [2310]

FREQUENCY OF COMPUTATION

Weekly ☐ [2320] Monthly ☒ [2330] N/A ☐

COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition			765,523
				[3480]
2.	Deduct ownership equity not allowable for Net Capital			
				[3490]
3.	Total ownership equity qualified for Net Capital			765,523
				[3500]
4.	Add:			
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			0
				[3520]
	B. Other (deductions) or allowable credits (List)			
		[3525A]	[3525B]	
			[3525D]	
		[3525C]		
			[3525F]	
		[3525E]		0
				[3525]
5.	Total capital and allowable subordinated liabilities			765,523
				[3530]
6.	Deductions and/or charges:			
	A. Total non-allowable assets from Statement of Financial Condition (Note B and C)		26,195	
			[3540]	
	1. Additional charges for customers' and non-customers' security accounts			[3550]
	2. Additional charges for customers' and non-customers' commodity accounts			[3560]
	B. Aged fail-to-deliver			[3570]
	1. Number of items		[3450]	
	C. Aged short security differences-less			
	reserve of	[3460]	[3580]	
	number of items	[3470]		
	D. Secured demand note deficiency		[3590]	
	E. Commodity futures contracts and spot commodities proprietary capital charges		[3600]	
	F. Other deductions and/or charges		[3610]	
	G. Deductions for accounts carried under Rule 15c3-1(a)(6), and (a)(7) and (c)(2)(x).		[3615]	
	H. Total deductions and/or charges			-26,195
				[3620]

7. Other additions and/or credits (List)

	[3630A]	[3630B]	
		[3630D]	
	[3630C]		
		[3630F]	0
	[3630E]		[3630]

8. Net capital before haircuts on securities positions

739,328

[3640]

9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):

A. Contractual securities commitments

[3660]

B. Subordinated securities borrowings

[3670]

C. Trading and investment securities:

1. Bankers' acceptances, certificates of deposit and commercial paper

[3680]

2. U.S. and Canadian government obligations

[3690]

3. State and municipal government obligations

[3700]

4. Corporate obligations

[3710]

5. Stocks and warrants

79,906

[3720]

6. Options

[3730]

7. Arbitrage

[3732]

8. Other securities

764

[3734]

D. Undue Concentration

[3650]

E. Other (List)

	[3736A]	[3736B]
		[3736D]
	[3736C]	
		[3736F]
	[3736E]	

0

[3736]

-80,670

[3740]

658,658

[3750]

10. Net Capital

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	<u>605</u> [3756]
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>	<u>250,000</u> [3758]
13. Net capital requirement (greater of line 11 or 12)	<u>250,000</u> [3760]
14. Excess net capital (line 10 less 13)	<u>408,658</u> [3770]
15. Excess net capital at 1000% (line 10 less 10% of line 19)	<u>657,750</u> [3780]

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	<u>9,079</u> [3790]
17. Add:	
A. Drafts for immediate credit	<u> </u> [3800]
B. Market value of securities borrowed for which no equivalent value is paid or credited	<u> </u> [3810]
C. Other unrecorded amounts (List)	
<u> </u> [3820A]	<u> </u> [3820B]
<u> </u> [3820C]	<u> </u> [3820D]
<u> </u> [3820E]	<u> </u> [3820F]
	<u>0</u> [3820]
18. Deduct Adjustment based upon deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	<u>0</u> [3830]
19. Total aggregate indebtedness	<u>9,079</u> [3840]
20. Percentage of aggregate indebtedness to net capital (line 19 / line 10)	% <u>1</u> [3850]
21. Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 / line 10 less Item 4880)	% <u>1</u> [3853]

OTHER RATIOS**Part C**

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	% <u>0</u> [3860]
30. Options deductions/Net Capital ratio (1000% test) total deductions	% <u> </u> [3852]

exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and
(c)(2)(x) - Net Capital

SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
— [4600]	_____	[4601]	_____	[4603]	[4605]
— [4610]	_____	[4611]	_____	[4613]	[4615]
— [4620]	_____	[4621]	_____	[4623]	[4625]
— [4630]	_____	[4631]	_____	[4633]	[4635]
— [4640]	_____	[4641]	_____	[4643]	[4645]
— [4650]	_____	[4651]	_____	[4653]	[4655]
— [4660]	_____	[4661]	_____	[4663]	[4665]
— [4670]	_____	[4671]	_____	[4673]	[4675]
— [4680]	_____	[4681]	_____	[4683]	[4685]
— [4690]	_____	[4691]	_____	[4693]	[4695]
TOTAL			0		
			\$		
				[4699]	
			Omit Pennies		

Instructions Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

RECAP

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, which have not been deducted in the computation of net capital.

1. Equity Capital

A. Partnership Capital:

1. General Partners		[4700]
2. Limited		[4710]
3. Undistributed Profits		[4720]
4. Other		0
		[4730]

Description	Amount
[4730A]	[4730B]
[4730C]	[4730D]
[4730E]	[4730F]

5. Sole Proprietorship	[4735]
------------------------	--------

B. Corporation Capital:

1. Common Stock	[4740]
2. Preferred Stock	[4750]
3. Retained Earnings (Dividends and Other)	[4760]
4. Other (describe below)	0
	[4770]

Description	Amount
[4770A]	[4770B]
[4770C]	[4770D]
[4770E]	[4770F]

2. Subordinated Liabilities

A. Secured Demand Notes	[4780]
B. Cash Subordinations	[4790]
C. Debentures	[4800]
D. Other	0
	[4810]

Description	Amount
[4810A]	[4810B]

	[4810C]	[4810D]
	[4810E]	[4810F]

3. Other Anticipated Withdrawals

A. Bonuses

[4820]

B. Voluntary Contributions to Pension or Profit Sharing Plans

[4860]

C. Other

0
[4870]

Description	Amount
[4870A]	[4870B]
[4870C]	[4870D]
[4870E]	[4870F]

Total

0
[4880]

STATEMENT OF CHANGES

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1.	Balance, beginning of period		738,186
			[4240]
			27,336
	A. Net income (loss)		[4250]
	B. Additions (includes non-conforming capital of	[4262])	[4260]
	C. Deductions (includes non-conforming capital of	[4272])	[4270]
2.	Balance, end of period (From item 1800)		765,522
			[4290]

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3.	Balance, beginning of period		[4300]
	A. Increases		[4310]
	B. Decreases		[4320]
4.	Balance, end of period (From item 3520)		0
			[4330]

Customers' Regulated Commodity Futures Accounts

1. Net ledger balance:

A. Cash

[7010]

B. Securities (at market)

[7020]

2. Net unrealized profit (loss) in open futures contracts traded on a contract market:

[7030]

3. Exchange traded options:

A. Add: Market Value of open option contracts purchased on a contract market

[7032]

B. Deduct: Market Value of open option contracts granted (sold) on a contract market

[7033]

4. Net equity (deficit) (total of 1, 2 and 3)

0
[7040]

5. Add accounts liquidating to a deficit and accounts with debit balances with no open trades

[7050]

6. Amount required to be segregated (total of 4 and 5)

0
[7060]

7. Deposited in segregated funds bank accounts:

A. Cash

[7070]

B. Securities representing investments of customers' funds (at market)

[7080]

C. Securities held for particular customer or option customers in lieu of cash (at market)

[7090]

8. Margins on deposit with clearing organizations of contract markets:

A. Cash

[7100]

B. Securities representing investments of customers' funds (at market)

[7110]

C. Securities held for particular customer or option customers in lieu of cash (at market)

[7120]

9. Settlement due from (to) clearing organizations of contract markets

[7130]

10. Exchange traded options:

A. Add: Unrealized receivables for option contracts purchased on contract markets

[7132]

B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets

[7133]

11. Net Equities with other FCMs

[7140]

12. Segregated funds on hand:

A. Cash	<u>[7150]</u>
B. Securities representing investments of customers' funds (at market)	<u>[7160]</u>
C. Securities held for particular customer or option customers in lieu of cash (at market)	<u>[7170]</u>
13. Total amount in segregation (total of 7 through 12)	<u>0</u> <u>[7180]</u>
14. Excess (incufficiency) funds in segregation (13 minus 6)	<u>0</u> <u>[7190]</u>

FINANCIAL AND OPERATIONAL DATA

			Valuation	Number
1.	Month end total number of stock record breaks unresolved over three business days			
	A breaks long		[4890]	[4900]
	B breaks short		[4910]	[4920]
2.	Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calender quarter?		Yes <input checked="" type="radio"/> [4930]	No <input type="radio"/> [4940]
3.	Personnel employed at end of reporting period			
	A Income producing personnel			<u>1</u> [4950]
	B Non-income producing personnel (all other)			<u>1</u> [4960]
	C Total			<u>2</u> [4970]
				<u>3 6</u> [4980]
4.	Actual number of tickets executed during current month of reporting period			
5.	Number of corrected customer confirmations mailed after settlement date			[4990]
		No. of Items	Debit(Short Value)	No. of Items
				Credit(Long Value)
6.	Money differences	[5000]	[5010]	[5020]
				[5030]
7.	Security suspense accounts	[5040]	[5050]	[5060]
				[5070]
8.	Security difference accounts	[5080]	[5090]	[5100]
				[5110]
9.	Commodity suspense accounts	[5120]	[5130]	[5140]
				[5150]
10.	Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and intercompany accounts which could result in a charge - unresolved amounts over 30 calender days	[5160]	[5170]	[5180]
				[5190]
11.	Bank account reconciliations - unresolved amounts over 30 calender days	[5200]	[5210]	[5220]
				[5230]

12.	Open transfers over 40 calendar days not confirmed	[5240]	⁰ [5250]	[5260]	[5270]
13.	Transactions in reorganization accounts - over 60 calendar days	[5280]	[5290]	[5300]	[5310]
14.	Total	⁰ [5320]	⁰ [5330]	⁰ [5340]	⁰ [5350]
			No. of Items	Ledger Amount	Market Value
15.	Failed to deliver 5 business days or longer (21 business days or longer in the case of Municipal Securities)		[5360]	[5361]	[5362]
16.	Failed to receive 5 business days or longer (21 business days or longer in the case of Municipal Securities)		[5363]	[5364]	[5365]
17.	Securities concentrations (See instructions in Part I)				
	A Proprietary positions				[5370]
	B Customers accounts under Rule 15c3-3				[5374]
18.	Total of personal capital borrowings due within six months				[5378]
19.	Maximum haircuts on underwriting commitments during the period				[5380]
20.	Planned capital expenditures for business expansion during next six months				[5382]
21.	Liabilities of other individuals or organizations guaranteed by respondent				[5384]
22.	Lease and rentals payable within one year				18,000 [5386]
23.	Aggregate lease and rental commitments payable for entire term of lease				49,500 [5390]
	A Gross				[5388]
	B Net				[5390]

V. J. SHAH & CO., INC.

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

*YEARS ENDED DECEMBER 31, 2004 & 2003
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTAL REPORT ON INTERNAL CONTROL*

V. J. SHAH & CO., INC.
AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION
YEARS ENDED DECEMBER 31, 2004 & 2003

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BAUMANN & BAUMANN CPAs

873 Worcester Street
Wellesley, Massachusetts 02482
(781) 239-0190

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
V. J. Shah & Co., Inc.

We have audited the accompanying statements of financial condition of V. J. Shah & Co., Inc. as of December 31, 2004 and 2003, and the related statements of operations and retained earnings, and cash flows – direct method for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of V. J. Shah & Co., Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Wellesley, Massachusetts
February 11, 2005

V. J. SHAH & CO., INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2004 & 2003

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,119	\$ 36,642
Investments, marketable securities	533,279	503,479
Prepaid expenses	6,726	8,307
Commissions receivable	6,991	5,814
Warrants	<u>-</u>	<u>3,300</u>
TOTAL CURRENT ASSETS	<u>603,115</u>	<u>557,542</u>
PROPERTY AND EQUIPMENT , at cost, less accumulated depreciation and amortization of \$45,283 in 2004 and \$69,667 in 2003	<u>19,470</u>	<u>40,662</u>
OTHER ASSETS		
Cash surrender value of life insurance	<u>152,017</u>	<u>146,279</u>
TOTAL ASSETS	<u><u>\$ 774,602</u></u>	<u><u>\$ 744,483</u></u>

The accompanying notes are an integral part of these financial statements.

V. J. SHAH & CO., INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2004 & 2003

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>9,079</u>	\$ <u>6,297</u>
LONG-TERM LIABILITIES		
Deferred taxes	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>9,079</u>	<u>6,297</u>
STOCKHOLDERS' EQUITY		
Common stock, Class A voting	1,000	1,000
Common stock, Class B non-voting	4,900	4,900
Preferred stock, 5% non-cumulative	24,000	24,000
Additional paid-in capital	8,319	8,319
Retained earnings	<u>784,261</u>	<u>756,924</u>
	822,480	795,143
Less treasury stock, 20,301 shares in 2004 and 2003, at cost	(<u>56,957</u>)	(<u>56,957</u>)
TOTAL STOCKHOLDERS' EQUITY	<u>765,523</u>	<u>738,186</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 774,602</u>	<u>\$ 744,483</u>

The accompanying notes are an integral part of these financial statements.

V. J. SHAH & CO., INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2004 & 2003

	<u>2004</u>	<u>2003</u>
INCOME		
Commission, trading and service revenues	\$ 116,572	\$ 125,064
Net realized and unrealized gains and losses from investment activities	74,513	170,529
Increase in cash surrender value of life insurance	5,738	6,050
Dividend and interest income	8,076	6,225
Loss on disposition of fixed assets	<u>(10,244)</u>	<u>-</u>
TOTAL INCOME	<u>194,655</u>	<u>307,868</u>
OPERATING EXPENSES		
General and administrative expenses	148,311	139,197
Depreciation and amortization	<u>17,097</u>	<u>18,339</u>
TOTAL OPERATING EXPENSES	<u>165,408</u>	<u>157,536</u>
NET INCOME BEFORE (PROVISION FOR) INCOME TAXES	29,247	150,332
(PROVISION FOR) INCOME TAXES	<u>(1,910)</u>	<u>(1,875)</u>
NET INCOME	27,337	148,457
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>756,924</u>	<u>608,467</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 784,261</u>	<u>\$ 756,924</u>

The accompanying notes are an integral part of these financial statements.

V. J. SHAH & CO., INC.
STATEMENTS OF CASH FLOWS – DIRECT METHOD
YEARS ENDED DECEMBER 31, 2004 & 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 115,395	\$ 125,130
Cash paid to suppliers and employees	(143,949)	(135,665)
Dividends and interests received	8,076	6,225
Income tax refund	-	555
Income taxes paid	(1,910)	(3,369)
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(22,388)</u>	<u>(7,124)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipments	(6,148)	-
Purchase of investments	(612,350)	(365,592)
Proceeds from sale of investments	<u>660,363</u>	<u>351,501</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>41,865</u>	<u>(14,091)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>19,477</u>	<u>(21,215)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>36,642</u>	<u>57,857</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 56,119</u>	<u>\$ 36,642</u>

The accompanying notes are an integral part of these financial statements.

V. J. SHAH & CO., INC.
STATEMENTS OF CASH FLOWS – DIRECT METHOD
YEARS ENDED DECEMBER 31, 2004 & 2003

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF NET INCOME TO NET CASH		
(USED IN) OPERATING ACTIVITIES:		
Net income	\$ 27,337	\$ 148,457
Adjustments to reconcile net income to net cash (used in) operating activities:		
Net realized and unrealized (gain) loss from investment activities	(74,514)	(170,529)
Depreciation and amortization	17,097	18,339
Decrease in prepaid expenses	1,581	3,553
(Increase) in cash surrender value of life insurance	(5,738)	(6,050)
(Increase) Decrease in commissions receivable	(1,177)	66
Increase (Decrease) in accounts payable and accrued expenses	2,782	(960)
Loss on disposition of fixed assets	<u>10,244</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>(49,725)</u>	<u>(155,581)</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(\$ 22,388)</u>	<u>(\$ 7,124)</u>

SUPPLEMENTAL DISCLOSURE

No interest was paid or capitalized, and there were no noncash investing or financing activities for the years ended December 31, 2004, and 2003, respectively.

The accompanying notes are an integral part of these financial statements.

V. J. SHAH & CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

(1) SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

V. J. Shah & Co., Inc. (A Massachusetts Corporation) was organized in 1969 as a broker/dealer of investment securities for customers located in New England. The Company is a registered member of the Securities and Exchange Commission and the National Association of Securities Dealers.

Marketable Securities

The Company's marketable securities, which consist entirely of equity securities, have been categorized trade securities and, as a result, are stated at fair value. Unrealized holding gains and losses on these positions are included as a component of earnings. The basis for which the Company computes cost in determining realized gains and losses is specific identification.

Property and Equipment

Property and Equipment are recorded at cost. Expenditures for routine repairs and maintenance are charged to operations as they are incurred while those which significantly improve or extend the lives of existing assets are capitalized. Depreciation and amortization are computed using straight-line and accelerated methods.

Income taxes

Income tax expense includes Federal and State taxes currently payable and, when material, deferred taxes arising from temporary differences between incomes from financial reporting and tax purposes. These differences when material could result principally from recognition of unrealized gains and losses for financial reporting purposes.

Cash and Cash Equivalents

Excess funds are invested in a daily money market fund. This investment is considered to be a cash equivalent. At December 31, 2004 and 2003 the daily money market fund balance was \$38,179 and \$7,519, respectively. During the course of the normal business cycle, the Company at times maintains on deposit cash balances in excess of insured limits, and no losses have been realized as a result. The Company considers temporary cash investments with original maturities of three months or less from the date of purchase to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

V. J. SHAH & CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

(1) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$939 and \$104 for the calendar years 2004 and 2003, respectively.

Commissions Receivable and Allowance for Doubtful Accounts

Commissions receivable and other receivables are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments.

The Company's policy is to evaluate all receivables, principally from commissions, for collectibility on a monthly basis, after considering factors such as customer credit-worthiness and past transaction history. Based on management's assessment, the Company provides for estimated uncollected amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to commissions receivable. There were no material allowances considered necessary as of December 31, 2004 and 2003 and there were no write-offs for the respective years ended.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company concentrations of credit risk consist principally of commission receivables. Concentrations of credit risk with respect to commission receivables are limited due to the large number of companies comprising the Company's reference base. As of December 31, 2004, the Company had no significant concentrations of credit risk.

(2) INVESTMENTS

Marketable securities for investment purposes are shown on the December 31 statements of financial position at market value as follows:

	<u>2004</u>	<u>2003</u>
Aggregate cost	\$ 645,083	\$ 600,912
Gross unrealized gain	12,874	51,727
Gross unrealized loss	(124,678)	(149,160)
Market value	<u>\$ 533,279</u>	<u>\$ 503,479</u>
Net unrealized (losses) gains recorded as income	(14,371)	\$ 152,963
Increase in reserve for decline in value of warrants	(3,300)	-
Net realized gains from sale of marketable securities	<u>92,184</u>	<u>17,566</u>
Total net realized and unrealized gains and losses from investment activities	<u>\$ 74,513</u>	<u>\$ 170,529</u>
Gross proceeds from sale of securities	<u>\$ 660,363</u>	<u>\$ 351,501</u>

At December 31, 2004 and 2003, respectively, no government obligations were held.

V. J. SHAH & CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

(3) OUTSTANDING WARRANTS

At December 31, 2004, the Company had outstanding warrants to purchase 600 shares of the NASDAQ Stock Market, Inc., at prices ranging from \$14 to \$16 per share. The warrants became exercisable beginning on June 28, 2002 and expire at various dates through June 28, 2005. During 2004, the Company established a \$3,300 reserve for the decline in value of the warrants which resulted in the warrants having no book value at the end of 2004. The related unrealized investment loss of \$3,300 is included as a component of net realized and unrealized gains and losses from investment activities in the statement of operations and retained earnings.

(4) PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following categories, along with their respective estimated useful lives used for computing depreciation and amortization:

<u>Assets</u>	<u>2004</u>	<u>2003</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 15,320	\$ 43,576	5 - 7 Years
Office equipment	12,264	29,008	5 Years
Leasehold improvements	3,690	3,190	7 Years
Auto equipment	<u>33,479</u>	<u>34,555</u>	5 Years
Total Property and Equipment	64,753	110,329	
Less accumulated depreciation and amortization	(<u>45,283</u>)	(<u>69,667</u>)	
Total Property and equipment, net	<u>\$ 19,470</u>	<u>\$ 40,662</u>	

In 2004, \$51,724 of fixed assets having accumulated depreciation of \$41,480 were scrapped.

(5) INCOME TAXES

The deferred tax amount consists of the following as of December 31 2004 and 2003:

	<u>2004</u>		<u>2003</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Deferred tax assets	\$ 30,045	\$ -	\$ 37,587	\$ -
Deferred tax liabilities	-	-	-	1,779
Less valuation allowance	(30,045)	-	(37,587)	(1,779)
Deferred tax liabilities, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax amounts included in the accompanying balance sheets primarily consist of future tax benefits and liabilities attributable to unused net operating losses, unrealized losses on investments and depreciation relating to property and equipment. At December 31, 2004, the Company has available unused net operating losses that may be applied against future taxable income amounting to \$9,650. The net operating loss carryforward, if not utilized, will expire in 2024.

No benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. The Company provided for a full valuation allowance because management believes it is more likely than not that

V. J. SHAH & CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

(5) INCOME TAXES, CONTINUED

the Company's net deferred tax assets will not be fully realizable. For the year ended December 31, 2004, the valuation allowance decreased \$7,542.

The Company's effective tax rate is lower than what would be expected if the federal statutory rate were applied to income before income taxes primarily because of net unrealized appreciation on securities included for financial statement purposes but not for tax purposes, operating loss carryforwards and capital loss carryforwards.

Components of the (provision for) income taxes for the years ended December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Current		
Federal	\$ -	\$ -
State	(1,910)	(1,875)
Subtotal current provision	(1,910)	(1,875)
Deferred		
Federal	-	-
State	-	-
Subtotal deferred provision	-	-
(Provision for) income taxes	<u>(\$ 1,910)</u>	<u>(\$ 1,875)</u>

(6) LEASE OBLIGATION

The Company leases its office under a lease expiring on September 30, 2007. Rent expenses totaled \$25,399 and \$23,386 for the years ended December 31, 2004 and 2003, respectively.

Future minimum rental payments for the five years ending December 31, 2009 are as follows:

2005	\$ 18,000
2006	18,000
2007	13,500
2008	-
2009	-
Total minimum future rental payments	<u>\$ 49,500</u>

(7) REGULATORY REQUIREMENTS

Pursuant to net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital may fluctuate on a daily basis. The Company had net capital of \$658,658 and \$609,795 at December 31, 2004 and 2003, respectively. The minimum net capital requirement is \$250,000.

V. J. SHAH & CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

(8) CAPITAL STRUCTURE

	<u>2004</u>	<u>2003</u>
Common stock, Class A voting, \$0.10 par value: Authorized and issued 10,000 shares, outstanding 9,699 shares in 2004 and 2003	\$ 1,000	\$ 1,000
Common stock, Class B non-voting, \$0.10 par value Authorized 100,000 shares, issued 49,000 shares, outstanding 29,000 shares in 2004 and 2003	\$ 4,900	\$ 4,900
Preferred stock, 5% non-cumulative, \$100.00 par value: Authorized, issued and outstanding 240 shares.	\$24,000	\$24,000
Treasury stock is recorded at cost. Total number of shares 20,301 in 2004 and 2003	\$56,957	\$56,957

OTHER FINANCIAL INFORMATION

BAUMANN & BAUMANN CPAs

873 Worcester Street
Wellesley, Massachusetts 02482
(781) 239-0190

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

To the Board of Directors and Shareholders of
V. J. Shah & Co., Inc.

Our audits for the years ended December 31, 2004 and 2003 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Baumann & Baumann" followed by a stylized "B3".

Wellesley, Massachusetts
February 11, 2005

V. J. SHAH & CO., INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Salaries, officers	\$ 18,000	\$ 18,000
Professional fees	39,715	37,855
Rent	25,399	23,386
Telephone	9,101	9,381
Travel and entertainment	20,798	17,380
Automobile	3,539	6,944
Employee benefit programs	8,326	7,678
Office supplies and costs	9,079	8,140
Dues and subscriptions	4,038	2,752
Insurance	4,882	4,741
Taxes, payroll	1,592	1,584
Taxes, other	1,437	1,252
Moving	1,466	-
Advertising	<u>939</u>	<u>104</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 148,311</u>	<u>\$ 139,197</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

To the Board of Directors and Shareholders of
V. J. Shah & Co., Inc.

In planning and performing our audit of the financial statements of V. J. Shah & Co., Inc. for the year ended December 31, 2004, we considered internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and the procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatement due to errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.